

**DIVISION OF AIR AND WATER QUALITY
DIRECTOR'S OFFICE**

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Eric Yould
Alaska Rural Electric Cooperative Association
703 W. Tudor Road
Suite 200
Anchorage, AK 99503

Dear Mr. Yould:

The Air & Water Quality Division needs your help. When Alaska was looking to change state law in 1992 and 1993 to meet the new federal Clean Air Act requirements, the department created the Alaska Air Quality Working Group to assist in developing Alaska's new law. The Department of Defense was involved in that effort. I now see a need to essentially re-assemble this group to help guide DEC in crafting the future for the Air Permits Program at DEC.

I believe the DEC Air Permits Program is at a critical juncture and I am seeking the participation of your organization as well as the other entities originally involved in 1992 to assist us today.

While I think the air permits program is achieving clean air goals for all Alaskans, I don't believe the program is fulfilling the needs of the regulated industries and businesses in Alaska. During the past couple years, we have been examining why it takes so long to issue permits and why there is at times an inordinate amount of controversy or miss-understandings about information or analyses that the department needs before a permit is issued. In collaboration with Alaska Oil & Gas Association and EPA, DEC conducted an Air Permits Benchmarking study about two years ago to learn from other states about how we could improve Alaska's air permitting processes to better serve Alaska stakeholders. We have only recently begun to implement some of what we learned. To be responsive to the needs of Alaskans, I am convinced that many other recommendations from the benchmarking study need to be implemented.

As with most endeavors in our society, funding has a major influence upon the services that are provided. In the government sector efficiency, accountability and productivity are key areas of interest and improvement in the past decade. I want to reinforce that we are committed to accountability to Alaskans for our clean air goals and timely delivery of permits that support economic opportunities in our communities.

During this past year we undertook an accounting review of the program to examine our fiscal situation more closely. We looked hard at our accounting records to examine work tasks, associated costs, which costs are paid by revenues from hourly permit fees, and which costs are paid by revenues from emission fees. We also examined staff efficiency at sub-elements of developing a permit along with many other factors that contribute to successful and prudent fiscal management.

I wish to share what we have learned with you and others in the hope that you will assist us in helping direct the future for the Air Permits Program. We need your involvement in setting a course for the future. Specifically, my request is that the work group develop some consensus based recommendations on how to improve the DEC air permit services, how to make our financial balance sheet work in light of expected or desired permit services, and to assess if the current user fee system achieves an equitable allocation of the costs to provide the air permitting services.

For the moment, I am assuming that the technical and policy features of how the permits achieve the clean air goals will remain unchanged even if we change some of the service delivery aspects of the program. Yet, I expect it will be hard to completely avoid discussing the underlying air quality goals as we evaluate service delivery options.

In my view, if there is not a clear decision about how to change the program from both a service and fiscal perspective, we will not retain a State executed air permitting program in Alaska. I am convinced this statement is true because of two underlying reasons. First, unless our services are improved to meet minimum expectations from the regulated businesses and industries in Alaska, I believe dissatisfaction and controversy will continue to grow to the point that Alaskans will no longer support a State run program. Secondly, if the existing level of operating permit performance is not improved we will likely lose federal approval of the program within 18 months to two years for failure to meet federal minimums. The federal courts have placed EPA under a high level of review for making sure the states satisfactorily execute the operating permits required by the Clean Air Act.

The enclosed summary report provides an insight to issues and problems we face. This report and the Benchmark Study report, which will be provided in a separate mailing, will provide your organization with a more thorough discussion of the issues that I wish to take up in a work group setting. For example, you may know we are not hitting the mark on timely permit delivery. However, you may not know that part of the reason for this situation is a substantial reduction in revenue from emission fees. Other revenues (generated by hourly permit service fees) have remained fairly constant but the overall costs to run the program has increased over the past 5 years. Consequently, the overall revenues no longer enable us to keep all existing staff positions filled. We have consciously decided to reduce some services to contain costs and have also implemented other measures to more closely manage costs, staff productivity and revenues. Alaska law was designed so this program would run much like a small consulting business with customer based user fees offsetting program expenditures and generating a business feedback mechanism to drive efficiencies in service delivery. Some of the business-based mechanisms are working as designed, while others are not.

These are the reasons that compel me to re-create a working group similar in structure to that of the 1992 group. Our work should be viewed as a course correction, rather than overhaul for the Alaska air permits program. The first and perhaps main question is to examine whether Alaska should retain a state run air permits program. There are some valid reasons to closely examine this issue.

As for logistics and other specifics of my request, I am requesting that your organization identify one representative to serve on the Work Group. While you are welcome to have other members attend the meetings, we will look for the most of the conversation to be among the designated work group representatives. The meetings will be public open meetings. The group will be asked to use consensus based methods to develop recommendations. I have requested that the following organizations become involved:

- Pacific Seafood Processors Association for seafood processors;

- Producers Council for hard rock miners;
- Alaska Oil & Gas Association for the oil and gas producers;
- Alaska Rural Electric Cooperative Association for the regulated electrical power providers;
- The U.S. Army for the Department of Defense facilities in Alaska;
- Alaska Center for the Environment for the environmental/conservation community; and
- a citizen representative(s) as chosen by the Cook Inlet and/or the Prince William Sound Regional Citizen Advisory Councils.

For meeting dates and location, I ask that you anticipate four meetings that each last one-day. Perhaps more meetings will be needed, but that decision will come later. Anchorage is a location that works best for most entities and would result in the least overall costs. To allow for morning flight schedules, I am proposing meeting times that begin at about 10 am and concludes at about 4pm. You may want to designate a back-up alternate representative for your organization in case meeting dates conflict with personal schedules.

I am proposing the first meeting be on August 20, with a second meeting planned for September 12. Please let me know before August 1, if these dates are simply not workable for your organization. The dates for the additional meetings will be discussed after the work group assemblies

Please call me or my secretary Minnie Keller (269-7634) to let us know if you will participate and, if so, who will be your representative.

Again, I hope we can count on your help. Please call me if you wish to discuss further, I would be pleased to sit down with you or members of your governing board to go over the reasoning for this work group and why I think it is important to do this course correction now.

Sincerely,

Tom Chapple
Director

cc: Tadd Owens, Resource Development Council